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IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No. 79-669

DAWSON CHEMICAL COMPANY, ET AL., *Petitioners*

v.

ROHM AND HAAS COMPANY, *Respondent*

On Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

MOTION FOR LEAVE TO FILE BRIEF AND BRIEF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS, AS AMICUS CURIAE, IN SUPPORT OF RESPONDENT

ROBERT H. MORSE

PEABODY, RIVLIN, LAMBERT & MEYERS
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 457-0998

Of Counsel

NATIONAL ASSOCIATION OF MANUFACTURERS
OF THE UNITED STATES OF AMERICA
1776 F Street, N.W.
Washington, D.C. 20006

THOMAS J. HOUSER
General Counsel

JAN S. AMUNDSON
Assistant General Counsel

PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

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MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE IN SUPPORT OF RESPONDENT

The National Association of Manufacturers (NAM) respectfully moves for leave to file the accompanying brief Amicus Curiae in this case. The consent of the attorney for the Respondent has been obtained. The consent of the attorney for the Petitioners has been denied.

The NAM is one of the nation's largest non-profit voluntary business associations. Its membership comprises over 12,300 manufacturing and related firms of all sizes from every state in the nation. While many of

the nation's largest companies are members of the NAM, almost 80 percent of the member companies are small businesses, employing fewer than 500 people. In addition, more than one hundred manufacturing trade associations, representing approximately 30,000 firms, are members of the NAM's Associations Department. An additional 128,000 firms are affiliated with the NAM through the National Industrial Council.

This case presents an opportunity for the Court to clarify issues relating to contributory infringement, patent misuse, and the proper scope of the patent grant. This case asks the Court to affirm that, in enacting Section 271 of the Patent Code,[1] Congress intended to enable enforcement of the patent grant against "free-riders" who sell unpatented components of the invention which have no substantial use other than in infringing the patent and which are intended for use in the invention. To reach this result, the Court must determine that Congress did not intend to require compulsory licensing of patent rights under Section 271(d).

The NAM members regularly use and rely on patents. Because patents are essential to manufacturing in a free market economy, the NAM has long had an official written policy on patents, as follows:

> The patent laws of the United States have contributed greatly to the high standards of living of our people and to our world leadership in modern technology. The incentives of our American system of patents are vital to our continuing industrial growth as well as to the establishment and success of new ventures. The property represented by a valid patent should stand before the law on a par with other property and should be accorded the same legal protection. In keeping with these principles, and in order to encourage prompt use of worthwhile inventions, the rights of patent owners to license their patents in whole or in part, for specified territories, times, amounts or uses, must be preserved in the public interest, but we are opposed to compulsory licensing as destructive of the "exclusive right" which is the entire property secured by a patent under the Constitution.[2]

As a leading association of this nation's manufacturing companies, the NAM unequivocally supports the Constitutional purpose of our patent laws to "Promote Science and the Useful Arts." Similarly, the NAM opposes any interpretation of Section 271 which would require compulsory licensing of patent rights merely because a patentee performs one or more acts permitted by Section 271(d).

The large majority of the NAM members are small businesses with commensurably small research and development programs. As a representative of these companies, the NAM believes it is singularly well qualified to demonstrate the adverse impact which would follow from a reversal of the Court of Appeals' decision below. Furthermore, since the NAM members own and use a broad spectrum of patents, the NAM is particularly well suited to show the impact of this case on technological development outside the area of un-

[1] In 1952, Congress revised and codified the patent laws in Title 35 of the U.S. Code (hereinafter the "Patent Code"). Section 271 of the Patent Code attempts to reconcile the doctrines of contributory infringement and patent misuse. This section defines the proper scope of the patent grant and the manner in which a patent holder may enforce his rights under that grant.

[2] Statement of The National Association of Manufacturers on S. 414, "The University and Small Business Patent Procedures Act," June 13, 1979. NAM has had this written policy since at least February 12, 1960.

patented chemical compounds and outside the chemical manufacturing industry.

Because of the strong interests and expertise of the NAM members in the subject matter of this case, NAM believes that if this Court grants leave to file, its brief as Amicus Curiae will provide the Court a broadened perspective on the issues to be determined in this case. The NAM believes that because the Petitioners and Respondent are chemical manufacturing companies, their briefs may not adequately represent the interests or perspective of small business technology firms generally nor of areas of technological innovation outside the chemical industry. These broader interests should weigh on the Court's construction of Section 271, which will have a significant impact on technological development throughout our economy.

Accordingly, the NAM urges that leave be granted to file the accompanying brief as Amicus Curiae and respectfully so moves this Court.

Respectfully submitted,

ROBERT H. MORSE

PEABODY, RIVLIN, LAMBERT & MEYERS
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 457-0998

Of Counsel

NATIONAL ASSOCIATION OF MANUFACTURERS
OF THE UNITED STATES OF AMERICA
1776 F Street, N.W.
Washington, D.C. 20006

THOMAS J. HOUSER
General Counsel

JAN S. AMUNDSON
Assistant General Counsel

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BRIEF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS OF THE UNITED STATES OF AMERICA, AS AMICUS CURIAE IN SUPPORT OF RESPONDENT

INTERESTS OF AMICUS CURIAE

The interests of the National Association of Manufacturers (NAM) are set forth in the accompanying Motion for Leave to File Brief Amicus Curiae In Support of Respondent.

STATEMENT

The General Issues

This case presents the Court with an opportunity to reconcile two very important but conflicting public interests. The first is the public's interest in receiving the benefits that flow from providing incentives for innovation. The second is the public's interest in receiving the benefits that flow from free and open competition. In 1952, when Congress revised and codified the patent laws in Title 35 U.S.C., it enacted Section 271 of that Title to reconcile these public interests.[1]

The Court had attempted to reconcile these public interests in a series of cases going back at least eighty years prior to the enactment of Section 271. Through these cases, the Court developed the contributory infringement doctrine because it recognized that certain types of discoveries are not susceptible to protection by infringement actions against direct infringers. The contributory infringement doctrine extends patent protection to essential components of a discovery that have no substantial use other than in infringing the patent ("non-staples").

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[1] Section 271 describes the means by which a patentee may enforce its patent. Section 271(a) defines a direct infringer as one who makes, uses, or sells the patented invention. Section 271(c) defines a contributory infringer as one who knowingly sells an essential component of, or material for use in, the invention, which component or material has no substantial use other than in infringing the patent. Section 271(d) permits the patent holder to: (1) sell a component which, if sold by another, would be a contributory infringement of the patent; (2) license another to to so; and (3) sue another for contributory infringement. This section provides that if any one or more of those acts are performed, the patent holder will not be guilty of misusing his patent grant.

Over the years, the Court expanded the contributory infringement doctrine to include non-essential component parts of a discovery which did have substantial non-infringing uses ("staples"). As a check on this expansion of patent rights, the Court developed the countervailing doctrine of patent misuse, which was applied in a series of cases that sharply curtailed the contributory infringement doctrine. In *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 (1944) (hereinafter "Mercoid"), the pendulum swung wildly in favor of competitive values, as the Court withdrew patent protection from even essential non-staple component parts of a discovery.[2] Section 271 represents the effort of Congress to accommodate more reasonably the conflict between patent protection and competition with respect to non-staple components of a discovery. This case requires the Court to decide whether Congress accomplished this result and overturned the Court's holding in *Mercoid*.

The Facts

On June 11, 1974, United States Patent 3,816,092 issued to Harold F. Wilson and Dougal H. McRae (hereinafter the "Wilson patent") (A. 35).[3] These scientists discovered the sole commercial use for the unpatented chemical "propanil." They discovered that

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[2] For purposes of this brief, the term "staple" shall mean an article which is suitable for a substantial use other than infringing the patent. The term "non-staple" comes from the language of 35 U.S.C. Section 271(c) and means an article which is: (1) a material part of the invention; (2) especially made or adapted for use in an infringement of the patent; and (3) not a staple.

[3] "A," followed by a page number, is a reference to Petitioners' Appendix to the Petition For Certiorari Filed October 24, 1979. Certiorari was granted January 7, 1980.

propanil can be used selectively to inhibit the growth of undesirable plants, such as weeds, in an area growing desirable plants, such as rice, in an established crop (A. 36).[4] Rohm and Haas Company (hereinafter "Rohm and Haas") is and has been the sole owner of the Wilson patent since its issuance (A. 35-36). Propanil is at the heart of the Wilson patent and has no commercial use other than in the patented process. Rohn and Haas, a large, diversified chemical manufacturer, has never been engaged in cropdusting or farming—it simply manufactures chemicals, including propanil.

Rohm and Haas sells propanil with written instructions for its use in the patented method, thereby conveying to the purchaser, by operation of law, an implied license under the Wilson patent (A. 38). Petitioners also sell propanil with similar written instructions (A. 37). Rohm and Haas has declined to grant any licenses other than implied licenses under the Wilson patent, and brought this suit against Petitioners for contributory infringement under 35 U.S.C. Section 271(c) (A. 38).

Petitioners raised the defense, among others, that Rohm and Haas has misused its patent (A. 11). They argue that by selling propanil (permitted by 35 U.S.C. Sections 271(d)(1)) and declining to grant any licenses other than implied licenses, Rohm and Haas was unlawfully conditioning licenses under its patent to the purchase of propanil from Rohm and Haas (A. 11). In short, Petitioners charged that Rohm and Haas "tied" the sale of propanil to the patent "license," and thereby committed a misuse of the patent, which defeats its suit for contributory infringement.

[4] The Wilson Patent claims the discovery in the form of a method. The broadest of the claims reads as follows:

> 1. A method for selectively inhibiting growth of undesirable plants in an area containing growing undesirable plants in an established crop, which comprises applying to said area 3,4-dichloropropionanilide [propanil] at a rate of application which inhibits growth of said undesirable plants and which does not adversely affect the growth of said established crop." (A.36.)

On cross-motions for summary judgment (A. 40, 43), the District Court held that the Rohm and Haas licensing practices constituted a misuse of its patent and that Congress, in enacting Section 271, did not intend to overrule *Mercoid* but, rather, merely intended to clarify and codify the law. (A. 79-80; A. 60-61.) The District Court reasoned that if a patent holder markets a non-staple component of its patented invention, an act allowed under Section 271(d)(1), it is guilty of a patent misuse (an illegal "tie-in") unless it also offers licenses to others marketing those non-staple components (A. 79-80; A. 90, n.20). As a result, the District Court dismissed the infringement action brought by Rohm and Haas.

The Court of Appeals reversed, holding that Rohm and Haas had not misused its patent because Congress, in enacting Section 271, had intended to overrule *Mercoid* and restore the pre-Mercoid non-staple contributory infringement doctrine (A. 142). In reaching this conclusion, the Court of Appeals relied, in part, on the comments of Mr. Giles Rich and Mr. P. J. Frederico, the primary draftsmen of Section 271 (A. 169):

> Rather, the line drawn by paragraphs (c) and (d) [in Section 271] represents a careful compromise between the public policy of encouraging competition, vindicated by exempting sales of staples from the definition of contributory infringement, and a

patentee's desire to market his device in the most practical manner possible and to protect it against piracy.

SUMMARY OF ARGUMENT

The issue in this case is the appropriate construction of Section 271 of the Patent Code. For several reasons, we believe that the Court of Appeals below correctly construed this statute.

First, the language of 35 U.S.C. Sections 271(c) and (d) demonstrate a Congressional intent to approve conduct such as that of Rohm and Haas in this case. Rohm and Haas sold propanil and sued Petitioners. Both acts are expressly exempted from the misuse doctrine by Sections 271(d)(1) and (3). If Congress had intended to require that Rohm and Haas license the Wilson Patent to Petitioners, it would have written this requirement into the statute. A compulsory licensing requirement should not be read into Section 271 without a clear and certain signal from Congress that it intended such a result.

Second, the Court of Appeal's interpretation of the plain language of the statute receives additional support from an analysis of this Court's opinions prior to *Mercoid,* as well as from the legislative history of Section 271. The Court of Appeals correctly found that, prior to *Mercoid,* the doctrine of contributory infringement expanded the scope of the patent grant to include unpatented essential non-staple components of a patented invention. *Mercoid* eliminated this non-staple form of the contributory infringement doctrine. The Court of Appeals also correctly found that the legislative history of Section 271 demonstrates a Congressional intent to restore the non-staple form of the

contributory infringement doctrine. In considering the legislative history, the Court of Appeals properly placed more weight on the contemporaneous discussions of the draftsmen of Section 271 than on the casual, and often incorrect, statements of legislators.

Third, the Court of Appeals' interpretation of Section 271 accords with sound public policy considerations. Compulsory patent licensing in the pervasive form requested by Petitioners is against public policy. It is contrary to the very purpose and existence of the patent laws. Additionally, failure to affirm the Court of Appeals' interpretation of Section 271 would adversely affect the ability of many small business technology firms to enforce patents which deal with a large portion of the nation's commerce. Small firms produce a majority of the technological innovations made in this country today. To discourage these companies from innovation at a time when this country's technological output has fallen below that of other major competitors in the world market would have a serious adverse impact on the economic life of this country.

ARGUMENT

I. The Language Of 35 U.S.C. Sections 271(c) And (d) Demonstrates That Congress Intended To Approve Conduct Such As That Of Rohm And Haas In This Case.

"The starting point in every case involving the construction of a statute is the language itself." *International Brotherhood of the Teamsters* v. *Daniel,* 439 U.S. 551, 558 (1979) (citation omitted). Courts should "read the statutory language in its ordinary and natural sense." *United States* v. *Coopercourt,* 321 U.S. 600, 605 (1941). So read, the language of Section 271

establishes a Congressional intent to approve conduct such as that of Rohm and Haas in this case.

For the purpose of this appeal, Petitioners agree that propanil is a non-staple. Thus, their sale of propanil, in the absence of alleged misuse by Rohm and Haas, is a contributory infringement of the Rohm and Haas patent under Section 271(c).[5] Section 271(d) provides as follows:

> No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

Rohm and Haas has complied with Section 271(d)(1) by selling propanil, which enables the purchaser, by operation of law, to use the Wilson Patent. That conduct alone is exempt from patent misuse. Petitioners claim, however, that since Rohm and Haas has

[5] 35 U.S.C. Section 271(c) reads as follows:

> (c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

declined to grant licenses, the net effect of Rohm and Haas' policy is that those who wish to use the patented invention can do so only if they purchase the non-staple component, propanil, from Rohm and Haas. Petitioners argue that under Section 271(d)(1), a patent holder who sells a non-staple component of his invention will be guilty of patent misuse if he declines to license his patent to other manufacturers of the non-staple component. Petitioners' interpretation of Section 271(d)(1) reads a compulsory licensing requirement into that section.

However, if Congress intended this interpretation of Section 271(d)(1), it would have written a compulsory patent licensing provision into the statute. Congress has done so explicitly in statutes relating to copyrights, air pollution, plant variety protection (Pet. Br. 29),[6] as well as atomic energy (42 U.S.C. § 2182-2190). Given these examples, the fact that Congress did not put an explicit compulsory patent licensing provision in Section 271(d)(1) demonstrates its intention not to do so. Thus, the Court of Appeals was correct in rejecting Petitioner's interpretation of Section 271. Without a compulsory licensing requirement, the language of Section 271 approves Rohm and Haas' conduct with regard to the Wilson Patent.

Furthermore, a comparison of Section 271(d)(1) with Section 271(d)(2) shows the fallacy of Petitioners' argument that Section 271(d) merely permits a

[6] Pet. Br. followed by a page number is a reference to Petitioner's Brief on the Merits.

patentee to sell non-staple components competitively with other suppliers. As one commentator stated:[7]

> This analysis, however, does not make sense when applied to subsection (2). The statute permits the patentee to "license" or "authorize" others to do the same acts which he himself is permitted to do by subsection (1). If the only act permitted by subsection (1) is the sale of components in competition with unlicensed suppliers, the "license" language is meaningless. Of what possible use is a "license" to compete when anyone can compete without a license? In order to give significance to the word "license," it must be assumed that the right of the patentee being licensed is somehow exclusive—that another supplier could not sell the component without the patentee's permission. If this is the case, both subsections must allow the patentee an exclusive right to sell components, precisely the type of monopoly struck down by *Mercoid*.

Thus, the very language of Sections 271(c) and (d) demonstrates that Congress intended to overrule *Mercoid* and restore the non-staple form of the doctrine of contributory infringement. That doctrine approves the precise conduct of Rohm and Haas in this case.

II. The History Of 35 U.S.C. Section 271 Demonstrates That Congress Intended To Overrule *Mercoid* And Reinstate The Doctrine Of Non-Staple Contributory Infringement.

Mr. Justice Cardozo aptly expressed a fundamental canon of statutory construction when he observed that words or phrases in a statute are "freighted with the meaning imparted to them by the mischief to be remedied and by contemporaneous discussion. In such conditions history is a teacher that is not to be ignored." *Duparquet Co.* v. *Evans,* 297 U.S. 216, 221 (1936) (citation omitted).

[7] Note, *Combination Patents: The Right to Prohibit the Sales of Replacement Parts,* 70 Yale L.J. 649, 656 (1961).

A. The Court's holding in *Mercoid* was the mischief Congress sought to remedy.

The case law, by which this Court established the doctrine of contributory infringement, established the countervailing doctrine of patent misuse, and attempted to reconcile these two doctrines, illuminates "the mischief to be remedied" by Congress in enacting Section 271. The "mischief" occurred when the Court, in *Mercoid,* went too far in favor of the misuse doctrine and destroyed the distinction that had been drawn between staple and non-staple components of a patented invention. The compromise that had been reached prior to *Mercoid* was that if a component of an invention was a material non-staple, it was properly included within the scope of the patent rights; if the component was a staple, even one at the heart of the invention, it was not within the scope of the patent rights. Only the control of a component not within the scope of the patent rights can amount to an illegal "tie-in" which is a misuse of the patent.

The patent system and the patent laws find their foundation in Article I, § 8, cl. 8 of the United States Constitution, which provides that

> The Congress shall have Power . . . To promote the Progress of Science and the useful Arts, by securing for limited times to . . . Inventors the exclusive Right to their respective . . . Discoveries.

The doctrine of contributory infringement was developed to enable inventors to protect the full extent of

their Constitutional rights to their discoveries.[8] Since the doctrine was initially developed to be no broader than that necessary to accomplish this specific purpose, it was limited to non-staple components. In *Leeds & Catlin Co.* v. *Victor Machine Co.,* 213 U.S. 325 (1909) ("Leeds & Catlin"), the Court permitted a holder of a patent on a record player combination to control an unpatented disc at the heart of the invention which had no use other than in the patented combination (a non-staple).

Gradually, the original and narrow scope of the doctrine of contributory infringement was expanded to include essential staple components. But, eventually, in *Henry* v. *A.B. Dick,* 224 U.S. 1 (1912) ("A.B. Dick"), staple supplies that were not at the heart of the patented invention were included with the scope of the patent grant. Unfortunately, the original and narrow purpose for which the contributory infringement doctrine was developed was lost to the intellectually appealing, but nevertheless, erroneous, argument that because a patent allowed an inventor exclusive use of his invention, he might license that use under any and all terms, conditions and restrictions. *Id.* at 32. While the original contributory infringement doctrine was established on the premise that an essential non-staple component was properly within the patent grant, the expanded version of the doctrine was based, not on the scope of the patent grant, but rather on an

[8] The doctrine, although not so named, was first used in *Wallace* v. *Holmes,* 29 Fed. Cas. 74 (No. 17100) (C.C.D. Conn. 1871) (selling a non-staple burner which was at the heart of a patented lamp combination). It was premised on a joint-tortfeasor theory.

erroneous view of the commercial implications of the exclusive rights granted to the inventor. The non-staple contributory infringement doctrine struck a proper balance between the basic purposes and policies underlying the patent and antitrust laws. The improper extension of the doctrine created an intolerable conflict between these policies.

In response to this conflict, the Court developed the countervailing doctrine of patent misuse. In so doing, it rejected the premise, in *A.B. Dick,* upon which the non-staple contributory infringement doctrine had been so grossly expanded beyond its original purpose. The Court recognized that just because an inventor may prohibit others from using his invention, he does not have the automatic right to license his invention under any terms, conditions, or restrictions whatsoever. *Motion Picture Co.* v. *Universal Film Manufacturing Co.,* 243 U.S. 502 (1917) ("Motion Picture Patents"). In *Motion Picture Patents,* the Court would not permit a holder of a patent on a movie projection system to include within the scope of his patent the unpatented film which has substantial non-infringing use (a staple).

The Court applied these principles in a series of cases after *Motion Picture Patents,* and returned the doctrine of contributory infringement to its original non-staple form. In *Carbice Corp. of America* v. *American Patents Development Corp.,* 283 U.S. 27 (1931) ("Carbice"), the Court would not permit a holder of a patent on a refrigerator container to include within the scope of his patent the unpatented dry-ice which had substantial non-infringing uses. In *Leitch Mfg. Co.* v. *Barber Co.,* 302 U.S. 458 (1938) ("Barber As-

phalt''), the Court would not permit a holder of a patent on a process to include within his patent grant an unpatented staple component used in the process. In *Morton Salt Co.* v. *G.S. Suppiger Co.,* 314 U.S. 488 (1942) (''Morton Salt''), the Court refused to permit a holder of a patent on a salt vending machine to include within the scope of his patent the unpatented staple salt (in the form of tablets) which had substantial non-infringing uses. Although the Court declined to extend patent protection to staples in each of these cases, it recognized, and reaffirmed, the validity of the original contributory infringement doctrine enunciated in *Leeds & Catlin,* insofar as it applied to non-staples.[9]

Finally, in 1944, in *Mercoid,* the Court confronted activity similar to that of Rohm and Haas concerning an unpatented non-staple component. The Court specifically eliminated the non-staple doctrine of contributory infringement, overruling its prior decision in *Leeds & Catlin.* This demise of the non-staple form of the contributory infringement doctrine was the ''mis-

[9] In *Carbice,* Mr. Justice Brandeis acknowledged the continuing existence of the non-staple contributory infringement doctrine by distinguishing *Leeds & Catlin* as ''an ordinary case of contributory infringement.'' 283 U.S. 27, 34. In *Barber Asphalt,* Mr. Justice Brandeis distinguished *Leeds & Catlin.* When he said ''by the rule there declared, every use of a patent as a means of obtaining a limited monopoly on unpatented material is prohibited,'' he was referring to a staple. In *Morton Salt,* the tied product was so clearly a staple that the Court never referred to *Leeds & Catlin.* In *B.B. Chemical Co.* v. *Ellis,* 314 U.S. 495 (1942), there was confusion in the lower courts as to whether the component was a staple or a non-staple. The Supreme Court did not make the distinction between a staple and a non-staple nor refer to its prior decision in *Leeds & Catlin.*

chief to be remedied'' when Congress debated and enacted Section 271 of the 1952 Patent Code.[10]

B. The contemporaneous discussions support the Court of Appeals' interpretation of section 271

There was no general debate on the 1952 Patent Code. Therefore, the legislative history of Section 271 is largely limited to casual remarks of a few Members of Congress, as well as testimony and written statements by the major draftsmen of Section 271. The District Court below relied primarily on the casual remarks of two Members of Congress. The Court of Appeals, on the other hand, relied primarily on the testimony of the draftsmen of Section 271. In light of the extreme complexity of patent laws generally and Section 271 specifically,[11] the Congressional presentations of experts is the better basis for interpreting the intent of Section 271.

Petitioners rely on an exchange between Senator McCarran, Chairman of the Judiciary Committee, and Senator Saltonstall. (Pet. Br. 19-20.) The latter asked if the 1952 Patent Code changed the law or merely codified it. Senator McCarran replied ''it codifies the present patent laws.'' This coloquy, which was referred

[10] At the hearings on § 271, Mr. Rich, a principal draftsman of the section, was asked to clarify the purpose of the section for Congress. He was asked whether §§ 271(c) and (d) were intended to ''reestablish what you thought you had before the *Mercoid* case.'' Mr. Rich agreed, and explained that in order to do this, something had to be done to misuse. Hearings on H.R. 3760 Before Subcomm. No. 3 of the House Comm. on the Judiciary, 82d Cong., 1st Sess. (1951) at 173.

[11] The Court of Appeals stated that ''patent law is 'the metaphysics' of the law and that contributory infringement/patent misuse issues are the metaphysics of patent law.'' (A. 182.)

to by the Court in *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 347 n.2 (1961), does not demonstrate that Section 271 was intended to codify the *Mercoid* decision. As the Court of Appeals below recognized, a few minutes after this exchange Senator McCarran began introductory remarks which made it very clear that the patent act *was* intended to change existing law (A. 165-166).[12]

Another congressional comment upon which Petitioners rely is a statement by Representative Crumpacker, a member of the House Subcommittee which conducted hearings on the bill. But even Representative Crumpacker later stated that reliance on these remarks would be misplaced. At an American Bar Association meeting in San Francisco in 1962, Representative Crumpacker stated:[13]

> When the Courts, in seeking to interpret the language of the Act, go through the ritual of seeking to ascertain the "intent of Congress" in adopting

[12] The Patent Code was a revision and codification of all the patent laws including Section 103 and 271. Section 103 substantially changed the patent law in overruling the "flash of genius" test for patentability set forth in *Cuno Engineering Corp.* v. *The Automatic Devices Corp.*, 314 U.S. 84 (1941). Since Senator McCarran's casual remark is clearly incorrect with regard to Section 103, it is improper to use it to prove that Section 271 was not intended to change the law. *See also,* H.R. Rep. No. 1023, 82d Cong., 2d Sess. 5 (1952) and S. Rep. No. 1979, 82d Cong., 2d Sess. 4 (1952) which state, with regard to the codification of 35 United States Code, that the "major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271."

[13] Symposium on Patents, Summary of Proceedings, Section of Patents, Trademark and Copyright Law 143 (1962). *See* J. Scafetta, *Ten Years After Aro II; The Effect of Patent Act § 271 on the Patent Misuse Doctrine,* 26 S.C. L.Rev. 539 (1975), *reprinted in* 58 J. Pat. Off. Soc'y 69, 82-83 n. 46 (1976).

> same, they would do well to look to the writings of these men—Frederico, Rich, Harris, and the others—as they, far more than any member of the House or Senate, knew and understood what was intended by the language used.

Thus, Representative Crumpacker himself recommended the precise method of determining congressional intent with regard to Section 271 that was employed by the Court of Appeals below. The testimony of the draftsmen of Section 271, referred to by Representative Crumpacker, are analyzed in detail in the Court of Appeals' decision below and in the Rohm and Haas brief on the merits.

III. Public Policy Requires Affirmance Of The Court of Appeals' Interpretation Of Sections 271(c) And (d).

A. Compulsory licensing is against public policy

Petitioners' interpretation of Sections 271(c) and (d) would require the insertion of a compulsory patent licensing provision in Section 271(d). Although, in their brief, Petitioners initially deny that they support such a requirement (Pet. Br. 9), they later argue that compulsory licensing is not against public policy (Pet. Br. 29). Moreover, the ostensible alternatives to compulsory licensing which they posit are not in fact real alternatives.

Congress has carved out very limited technological areas for compulsory licensing. This Court has used compulsory licensing only as a means of undoing the anticompetitive effects of a *proven* violation of the antitrust laws. The compulsory licensing which Petitioners' interpretation of Section 271 would require is all-pervasive and cuts across all areas of technological

innovation, regardless of any proven violation of the antitrust laws.

The exclusive right of an inventor to his discovery is a constitutionally guaranteed right. The type of compulsory licensing required by Petitioners' interpretation of Section 271 directly eliminates this right and thus strikes at the very heart of the patent system. As one commentator has said:[14]

> [a] patent is a monopoly because its only value as an incentive depends upon securing to its owner monopoly power over the invention. That is the only thing that gives the possibility of profit. The economic power of monopoly is the mainspring of the patent system, a system whose ultimate purpose is the public good. Weaken or destroy the monopoly and you weaken or destroy the system.

Petitioners argue, incorrectly, that their interpretation of Section 271 does not require compulsory licensing since there are other altternatives available to exploit a method patent (Pet. Br. 30).

First, Petitioners argue that:

> Rohm & Haas could grant to other propanil producers the right to grant licenses to purchasers of propanil, with a royalty to be paid to Rohm and Haas by the other propanil producers.

This alternative would require compulsory patent licensing for direct infringement which is as much against public policy as compulsory patent licensing for contributory infringement.

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[14] Rich, *Infringement Under Section 271 of the Patent Act of 1952,* 21 Geo. Wash. L. Rev. 521 (1953); 35 J. Pat. Off. Soc'y 476, 479 (1953).

Second, Petitioners argue that:

> Rohm & Haas could license rice farmers directly to practice the patented method, charging a royalty based on acreage or volume of propanil used. This could be easily effected by the commonly used "label license," which states that a part of the purchase price is patent royalty, and that licenses to use propanil purchased from others are available for the same royalty.

According to the 1974 Census of Agriculture (Vol. 1, Part 51, U.S.D.A.), there are over nine thousand rice farmers in this country. Therefore, this alternative would be so burdensome and cumbersome to administer because of the large number of direct infringers that administrative costs might well exceed the patent royalties. Precisely these difficulties led to the doctrine of contributory infringement in the first place.

Third, Petitioners argue that:

> Rohm & Haas could license persons who are sprayers or applicators to practice the method, charging a royalty based on the volume of propanil used or acreage of crops sprayed.

This alternative is also a form of compulsory licensing. According to the Aviation Study and Program Plan Vol. II (Supplemental Information, June 9, 1976, NASA, Office of Aeronautical Space Technology), there are over three thousand aerial applicators in this country. Therefore, this alternative would also be impractical and burdensome to administer. Furthermore, this alternative means of exploiting a process patent would not be appropriate for the Rohm and Haas patent, and certainly not be available for method patents generally.

Fourth, Petitioners argue that:

> Rohm and Haas could operate rice farms, contract the spraying and not license anyone other than the spraying contractor.

This is not a practical alternative. It is not unusual for an inventor in one industry to discover a use for a component which, though it has no use in his industry, may be tremendously useful in another industry. The inventors' discovery probably resulted from years of work and experience in his own industry. It would be unfair and against sound economic principles to require the inventor to enter an industry in which he may have little or no knowledge before he may be permitted to reap the rewards of his discovery.

Fifth, Petitioners argue that:

> Rohm & Haas could practice the method itself, by spraying the rice fields, and not license anyone.

This alternative would also require Rohm and Haas to enter an unfamiliar industry—an impractical solution which is contrary to sound economic principles.

Thus, the alternatives to compulsory licensing suggested by the Petitioners are mere chimera. The fact is that reversal of the Court of Appeals would incorporate a compulsory licensing requirement into Section 271. Even the Justice Department has recognized the disadvantages of such a result.

In a speech on February 19, 1980, before the Conference on Cooperative Research at the Massachusetts Institute of Technology, Ky P. Ewing, Jr., Deputy Assistant Attorney General, Antitrust Division, stated that the Antitrust Division has learned the lesson that

compulsory patent licensing is indeed against public policy. In this regard, he stated:

> There is at least one lesson we might learn from the agreement to pool air frame design ideas, approved by the antitrust authorities in the heat of World War II, requiring air frame manufacturers to share with others patents improving air frame design [*i.e.*, compulsory patent licensing]. When the War was over, groups of inventors, outside the charmed circle, were rebuffed by the manufacturers who pointed out that they had no incentive to spend money for a new invention when they could get no competitive edge through its use. [Because they were compelled to license any new invention to the competition.] Inventors in fact led the effort with the Antitrust Division which resulted in the eventual withdrawal of the approval and the institution of a civil suit looking to restoration of a greater degree of competition, partly in order to restore the incentives to innovate and partly to bring to the marketplace the results of new inventions.

This position by the Deputy Assistant Attorney General is contrary to the position the Department of Justice takes in this case as Amicus Curiae.[15]

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[15] The Department of Justice, on behalf of the United States, has filed an amicus brief in support of Petitioners. The Department of Justice has a double-barrel bias in favor of the misuse doctrine and against the doctrine of contributory infringement. There are two patent sections in the Department of Justice: one is in the antitrust division, whose function it is to uphold the antitrust laws; the other is in the civil division, which only defends against patent infringement suits against the United States. The Department of Justice brief has the same thrust as the brief Amicus Curiae it submitted in the *Aro* cases, which was considered in the dissent by Mr. Justice Harlan (joined by Justices Frankfurter and Stewart) as advancing the same objections the Department of Justice presented to Congress and which Congress rejected

B. The decision of the court of appeals is consistent with the public policy and the acute needs of small business technology firms.

The decision of the Court of Appeals correctly preserves the public policies which underlie the patent system. In balancing the patent doctrine of contributory infringement against the antitrust doctrine of misuse, the Court is not merely balancing the rights of an individual inventor against the public's right to free and open competition. The rights of an individual inventor, such as Rohm and Haas, are but a means to a public end—the promotion of science and the useful arts. It is that end which Congress weighed when it enacted Section 271, and included non-staple components with no substantial non-infringing use within the scope of the patent grant.

Unless this Court affirms the Court of Appeals below, there will be an adverse impact on a wide variety of discoveries other than the use of propanil. A reversal by this Court would endanger the enforcement of many patents which are important to our economy. The doctrine of contributory infringement was developed because certain patents embody discoveries which are not susceptible to protection by infringement actions against a direct infringer. For such patents, there are typically a very large number of direct infringements (*e.g.*, by rice farmers or farmers generally). It

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in passing § 271. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 372 (1961). The Department of Justice's present brief is but another attempt to persuade this Court to adopt arguments and objections which it knows full well that Congress rejected when it enacted § 271 over the strenuous opposition of the Department of Justice.

is precisely to protect the inventions represented by these patents that Congress reimposed the doctrine of contributory infringment in Section 271.

Unless this Court affirms the decision of the Court of Appeals below, the heaviest adverse impact of its ruling will be felt by small business technology firms. Such small firms do not have the financial ability to diversify into unrelated markets in order to reap the benefits of their discoveries. For example, a chemical firm much smaller than Rohm and Haas would not have had any option of entering the crop-dusting or farming industries if it were to have initially discovered and patented the use of propanil as a herbicide. It is extremely doubtful that such diversification is an economic option available to a firm as large as Rohm and Haas. Clearly, those options would not be available to the many small business technology firms whose assets and financial capabilities are much smaller.

Thus, for small firms, a reversal of the Court of Appeals' decision below would effectively incorporate a compulsory licensing requirement into Section 271. Compulsory licensing will discourage small business technology firms from devoting substantial resources to the discovery, development, and marketing of "new use" inventions which do not have direct use in their limited range of manufacturing activities. For the Court to create such a disincentive to invent would be most unfortunate in view of the importance of small business technology firms to technological innovation in this country.[16]

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[16] In Senate Comm. on Commerce, Science, and Transportation, 96th Cong., 1st Sess., National Strategy for Technological Innovation 34 (Comm. Print 1979), Ellis R. Mottur, a guest scholar at

As this Court balances the various public policies in favor of patent protection and competition, it should bear in mind that, in 1944, when *Mercoid* was decided, no nation on earth approached this country in its rate of technological innovation. However, today the rate of technological development in the United States is steadily falling behind that of other countries, such as West Germany and Japan. According to a report to the Senate Commerce Committee:[17]

> Despite America's impressive past record, innovation in the United States is currently lagging as compared with its challenges, competitors, and potential. Thus, in recent years, U.S. capital investment in innovative activities has fallen short; for

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the Woodrow Wilson International Center for Scholars, reported as follows:

> The small business contribution to technological innovation has been enormous, and the future potential is even greater. Thus, "small firms have compiled a striking record of innovation in the private sector. Firms with less than 1,000 employees accounted for almost one-half of major U.S. innovations during the period 1953-73." "On the basis of a sample of major innovations introduced to the market between 1953 and 1973, small firms (up to 1,000 employees) were found to produce about four times as many innovations per R. & D. dollar as medium-sized firms (1,000 to 10,000 employees) and about 24 times as many as large firms (over 10,000 employees). The total number of innovations produced by small firms was greater than for large firms."

[17] *Id.* at 1-2.

example, the capital obtained from public offerings by small firms dropped from $1.46 billion in 1969 to $16.2 million in 1975; Investment in R.&D. has stagnated: Federal funds for R.&D. in 1979 were 16 percent less than what they had been 12 years earlier; at the same time that Japan and West Germany recorded substantial growth in proportion of their GNP going to R.&D. Similarly, the proportion of scientists and engineers in the U.S. population has dropped since 1969, while it has shown an increase in most other advanced nations. America has shown a decline in its patent balance of 47 percent in recent years, and currently has a negative balance with Japan and West Germany . . . . Along with these distressing economic indicators, stands our failure to produce the innovations necessary to meet our compelling national needs in fields such as energy, environment, and transportation.

Experts have traced the nation's current economic woes to declining productivity and innovation. The Court would needlessly accelerate this downward spiral if it reverses the Court of Appeals and discourage technological development by small business technology firms. Now, more than ever, we urge this Court to recognize the plain meaning of Section 271 in order to maintain a major incentive for the discovery and innovation upon which our country depends.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be affirmed.

Respectfully submitted,

ROBERT H. MORSE

PEABODY, RIVLIN, LAMBERT & MEYERS
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 457-1000

Of Counsel

NATIONAL ASSOCIATION OF MANUFACTURERS
OF THE UNITED STATES OF AMERICA
1776 F Street, N.W.
Washington, D.C. 20006

THOMAS J. HOUSER
General Counsel

JAN S. AMUNDSON
Assistant General Counsel